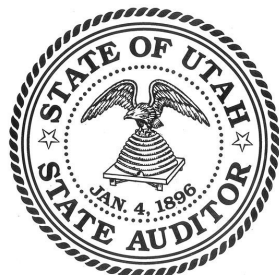




Photo Credit: Joe Pyrah



auditor.utah.gov

LOCAL GOVERNMENT DIVISION

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Local Government Auditing and Accounting

Newsletter

Office of the Utah State Auditor

March 2013

Meet the new Office of the Utah State Auditor

For the first time in 17 years, Utah has a new State Auditor, John "Frugal" Dougall. John believes that the Office of the Utah State Auditor should be one of the pillars of a free and fair, well-governed state. Many people don't realize that the Utah State Auditor is a Constitutional Officer of the State of Utah, elected directly by the state's citizens every 4 years. The role of the Utah State Auditor is authorized in Article VII, Section 15 of the Utah Constitution. Although there have been a few changes in the office, and a few familiar faces have moved on, primarily to retirement or other opportunities, the team and structure of the Office of the Utah State Auditor which you are familiar is largely intact.

The Updated Mission Statement of the Office says: We provide Utah taxpayers and government officials with an independent assessment of financial operation, statutory compliance, and performance management for state and local government. Mr. Dougall says, "With an experienced team of financial, forensic, and performance auditors, we are a constitutional watchdog, ensuring that taxpayer funds are being spent legally, efficiently, and effectively."

The Office now includes 4 main groups: Financial Audit, Local Government, Performance Audit and Special Projects

Financial Audit

The Financial Audit Division is responsible for auditing all State departments, agencies and colleges and universities. Both State funds and federal grants are audited. These audits are conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Single Audit Act to determine the reliability of financial statements, the effectiveness and adequacy of internal controls, and the degree of compliance with legal and contractual requirements.



Local Government

The Local Government Division ensures uniform accounting, budgeting, and financial reporting by Utah's local governments. This is done by providing consultation, budget forms, and uniform accounting guidelines and services for counties, municipalities, school districts, and local districts.

The Division reviews independent audits of all units of local government for compliance with reporting standards and conformity with generally accepted accounting principles and State law. The Division also presents training to local government officials and to CPAs conducting governmental audits.

Performance Audit

The Performance Audit group performs audits that evaluate the efficiency of operations and the effectiveness of programs, and can range from an audit of a specific case or individual to an audit of an entire agency. Performance audits can also measure operational compliance to given criteria such as state/federal law, administrative rule, or policy and the adequacy of such standards.

Special Projects

Special Projects are special request audits, reviews, or other engagements. The audits include internal control reviews, legal compliance and financial related audits, and fraud investigations.

About John Dougall, the New State Auditor

The oldest of 11 children, John learned to lead amid the chaos of a bustling family life, developing a strong independence, a frugal outlook and a disregard for the status quo.

John has earned multiple degrees from Brigham Young University, including in electrical engineering and an MBA. It was during his years at BYU that he met his future wife Sandy.

John has worked at large companies like 3Com. He has launched his own company, Cascadia. As a consultant in the high-tech sector, John flourished in an industry in which giant companies come and go depending on whether they can adapt to the demands of the market.

As a member of Utah's House of Representatives for the past 10 years, John became one of the disruptive influences he has worked among for so long. He pushed back against entrenched bureaucracy wherever he could. That included a reform effort that would become Utah's near-flat tax system. He also led the charge for accountability in the state Department of Health and Human Services. His efforts to reform the education system have been met with cheers from many who tire of an ineffective status quo not serving the needs of parents or students.

During his tenure in the Legislature, John served on committees covering nearly all of state government, including ethics. He has had the opportunity to see up close the problems within state government.

Changes in the Local Government Division

Written by: Ryan Roberts

You may have heard of the recent personnel changes in the Local Government Division. We have said good-bye to a few of our dearest friends who have served for so long in the Local Government division. Kent Godfrey, who served as our division director and worked with counties, school districts and non-profit entities has taken a position as an audit director at the Department of Technology Services and still has an office in the Capitol Hill complex. After 36 years with the State Auditor's Office, Richard Moon, who worked with Cities and Towns has retired.

We welcome some fresh new faces to the local government division, namely: Patricia Nelson who will work with Cities and Towns, RDAs and School Districts; Rebekka Wilkinson who will help with training and special projects; and Emily Lockhart who will take the unenviable position of managing our reports that come in. Please see the information on the entire Local Government team on page 3. We look forward to serving you in the best way that we can. Please don't hesitate to call us with any questions that you may have. We look forward to hearing from you.

In addition, we have changed locations. The Local Government Division is now located, in Suite E310 of the Capitol Hill Complex. Please drop by and see us if you ever find yourself on Capitol Hill.

Meet the Local Government Department



Van Christensen - Acting Director

Van is an Audit Director with the Office of the Utah State Auditor and has worked for the Office since 1996. Assignments in the Office have included financial and single audits of state agencies and colleges and universities, as well as assisting local governments with budgeting, accounting, and auditing issues. Van has investigated instances of fraud, the most significant of which identified nearly \$350,000 in misappropriated funds.

Van enjoys summer vacations with his family and a variety of outdoor activities including horseback riding, mountain biking, and snowmobiling. Van is a certified public accountant, a certified fraud examiner, and a 1996 graduate of Weber State University, where he received his bachelors and masters degrees in accounting.



Ryan Roberts - Supervisor

Ryan Roberts works with counties, non-profits, and local and special service districts in the local government division. Prior to his appointment to the division, he worked as an auditor in the financial audit division of the office for 8 years. He is a certified public accountant and a 2001 graduate of Utah State University, where he received his bachelors and masters degrees in accounting.

Ryan provides training throughout the state to district board members on topics ranging from internal controls to board governance to financial accounting and reporting. He lives in Bountiful with his wife and 4 children.



Patricia Nelson - Supervisor

Patricia Nelson joined the Office of the Utah State Auditor in 1997. In her 15 years of experience with the Office, she has been involved in leading a wide range of financial and compliance audits of State agencies and institution of Higher Education. She considers her specialty to be evaluating and enhancing internal control environments. She is looking forward to learning about the complex and dynamic world of local governments. Her assignments will include overseeing cities and towns.

As the parent of two children, Madeleine (12) and Luke (6), Patricia considers herself a typical busy soccer mom, and enjoys serving in various positions with her local PTAs and School Community Councils. She also actively cheers for her hometown college football favorite, 'Bama, and her alma mater, BYU. Patricia holds a Master's degree in Accounting from Brigham Young University and is also a licensed CPA.



Rebekka Wilkinson - Staff

Rebekka Wilkinson is the most recent addition to the Local Government group. She began working at the Office of the Utah State Auditor in 2006 and has since performed a variety of financial and compliance audits. Previous to this, Rebekka worked for a private CPA firm in San Francisco for three years. Rebekka holds a Masters degree in Accounting from Southern Utah University and is a certified fraud examiner and licensed CPA. She is looking forward to becoming more involved with the Local Government group and meeting new folks in local governments around the State.

Rebekka grew up in North Carolina in a military family but has now spent most of her life out West. A soon-to-be first-time home buyer, she expects her free time will shortly become absorbed in helping her sisters decorate her new home. Until then, she will continue to enjoy teasing/doting on her miniature relatives, piecing quilts, and traveling to fun places.



Emily Lockhart - Assistant

Emily has a strong background in politics and government. She has managed campaigns, interned for the Speaker of the House, and is currently a county delegate. She joined the State Auditor's Office in January 2013.

Emily is currently working towards her Bachelors degree in Chemical Engineering at the University of Utah. She loves to golf and watch movies.

Annual CPA Training

The Office of the Utah State Auditor announces its annual training for auditors of local governments. Guest speakers include State Auditor John Dougall and House Speaker Becky Lockhart.

Thursday May 2, 2013

7:30 am to 4:30 pm

Larry Miller Campus of Salt Lake Community College

Building MFEC Room 101

The cost is \$90/per person for the day of training. We will be providing a light breakfast from 7:30am - 8:00am and a box lunch at noon for all participants. We will be providing 8 hours of CPE.

Please mail in this registration form by **April 26, 2013**.

You can find a detailed agenda on our website at www.auditor.utah.gov.

Please include any questions that you may have for John Dougall with your registration form. He will do his best to answer them during training.

Mail to:

ATTN: Emily Lockhart

Utah State Auditor's Office

Utah State Capitol Complex

East Office Building, Ste E310

Po Box 142310

Salt Lake City, Utah 84114-2310

Please make check(s) payable to:

Office of the Utah State Auditor

Photo Credit: Utah State Senate

CPA Training Registration

Please use one registration form per firm, and list the individual names of those attending in the space provided below. The cost is \$90 per person. Please include the email address of each attendee. We would like to send out the training materials beforehand. If you have any questions, please call Emily at 801-722-4519.

Firm Name: _____

Address: _____

City: _____

State/Zip: _____

Telephone: _____

E-mail: _____

Person(s) Attending:

1) _____

2) _____

3) _____

4) _____

5) _____

6) _____

2013 LOCAL GOVERNMENT ANNUAL REGIONAL TRAINING SESSIONS

DATE:

LOCATION:

Thursday

March 21, 2013

1pm-5pm

South Ogden

So. Ogden Municipal Center

3950 Adams—Parking in Rear

Council Room

Tuesday

March 26, 2013

1pm-5pm

Logan

Bridgerland Applied Tech College

1301 North 600 West

Room 171 D&E (Enter So. Doors)

Thursday

March 28, 2013

1pm-5pm

Orem

56 North State Street

City Offices—Room 102

Council Chambers

Thursday

April 11, 2013

9am-1pm

Salt Lake City

Training Room, Suite E310

Senate Bldg. 3rd Floor

Monday

April 15, 2013

1pm-5pm

Richfield

250 North Main

Auditorium

Tuesday

April 16, 2013

9am-1pm

St. George

175 East 200 North

Council Chambers

Wednesday

April 24, 2013

9am-1pm

Price

185 East Main

1st Floor—Room 207

Thursday

April 25, 2013

9am-1pm

Vernal

147 East Main Street

Commission Chambers

The Local Government Division of the Office of the Utah State Auditor sponsors annual training every Spring for local government officials. Below is a description of the seminars. We invite everyone to attend.

The Regional Training Seminars will be held at eight locations spread throughout the State. The seminars are intended for municipalities, counties, special districts, school districts and private non-profits working with governments. We invite mayors, council members, clerks, recorders, treasurers, board members, commissioners, county auditors, and school business officials to attend. This year, as in the past, we will be discussing current financial issues that affect budgeting and accounting officials from local governments. We will discuss the requirements of new governmental accounting standards. We will also have an update on the effects of the 2013 legislative session on local governmental entities, a presentation on current issues from the Utah State Tax Commission, and information on other critical issues. We will also hold a budget training session for new budget officers.

At the left is a list of times and locations. The seminar will last 3 hours. For those who choose to attend the hands-on budget training, it will take another 45 minutes or until you have your questions answered. There is no cost or registration required. We hope to see you there!



New GASB Pronouncements

GASB 60 – Service Concession Arrangements – Effective Date: Periods Beginning after 12/15/11

When a government transfers the right and obligation to operate a public asset (facility) to an operator this may be a service concession arrangement. Examples include toll roads, stadiums, golf courses, etc. that the government owns and continues to own, but transfers the right and obligation to operate the facility to an operator. If your entity has an arrangement similar to what has been described, this statement provides guidance on how to report financial activity related to the arrangement.

GASB 61 – Financial Reporting Entity – Effective Date: Periods Beginning after 6/15/12

The statement modifies GASB statements 14 & 39 relating to potential component units. Our office has modified a flowchart that can be found on our website at: <http://www.auditor.utah.gov/resources/GASB%2061%20Flowchart.pdf>. This flowchart can be used to determine the proper reporting of a potential component unit with the modified guidance found in GASB 61.

A significant change is that a government engaged only in a business-type activity that presents financial information using a single column must now present financial statement data for a blended component unit by either displaying a separate column on the face of the financial statements or presenting condensed financial statements in the footnotes.

The statement also clarifies the level of detail that must be disclosed in the footnotes. Essentially, the note disclosure must answer why the component unit was included in the primary government's financial statements and why it was blended or discretely presented.

GASB 62 – Private Sector Standards – Effective Date: Periods Beginning after 12/15/11

The statement incorporates all relevant private sector (FASB) guidance into GASB standards and eliminates the requirement to follow FASB guidance issued before November 30, 1989 and the voluntary option to apply FASB guidance issued after November 30, 1989. The statement made some minor clarifications, but generally it is the same standard in a different location. This statement affects reporting under the economic resources measurement focus (proprietary, fiduciary, and entity wide). Remember to modify the footnote that refers to FASB guidance (generally footnote #1).

GASB 63 – Deferred Outflows/Inflows and Net Position – Effective Date: Periods Beginning after 12/15/11

In recent statements, GASB has identified things that are similar to assets and liabilities, but do not meet the definition of assets or liabilities. Therefore, two new terms, deferred outflow and deferred inflow, have been adopted to describe these items. Deferred outflows are similar to assets and have a positive effect on net position, and deferred inflows are similar to liabilities and have a negative effect on net position. GASB will identify every type of transaction that should be classified as a deferred outflow or inflow.

This statement will require that the statement of net assets present a separate section following assets called deferred outflows and a separate section following liabilities called deferred inflows. Also, the term "net position" will replace "net assets"; therefore, the statement of net assets now becomes the statement of net position and the section at the bottom of the statement formerly referred to as net assets becomes net position. There will also be three new components: 1) of net position; 2) net investment in capital assets, net position – restricted, and 3) net position – unrestricted.



GASB 64 – Hedge Termination – Effective Date: Periods Beginning after 6/15/12

Rarely applicable; however, if your entity has investments designed to hedge other investments and the hedge agreement terminates, normally you would report the hedge at fair value. However, this statement identifies certain termination events where the hedge will not be required to be reported at fair value.

GASB 65 – Items Previously Reported as Assets and Liabilities – Effective Date: Periods Beginning after 12/15/12

This statement identifies a number of additional items that should be reported as deferred outflows and deferred inflows. To date, GASB has identified the following items as deferred outflows and inflows: GASB 48 sales of future revenues, GASB 53 hedging derivatives, and GASB 60 service concession arrangements. We will provide a list of these additional items in the future.

GASB 66 – Technical Corrections – Effective Date: Periods Beginning after 12/15/12

This statement makes technical corrections where recently issued statements may have conflicted with prior guidance. If you find recently issued guidance that seems to conflict with prior guidance, you should refer to this statement.

GASB 67 – Pensions (Plan) – Effective Date: Periods Beginning after 6/15/13

GASB 68 – Pensions (Employer) – Effective Date: Periods Beginning after 6/15/14

These two statements will significantly impact pension reporting under the economic resources measurement focus. Currently, an employer reports a liability for the cumulative difference between the annual required contribution and actual contributions made. This is similar to reporting a liability only when we fall behind on our mortgage payment. However, these statements will essentially require that the mortgage be put on the books. The statements also require:

- that the actuarial valuation and net plan position be updated to the report date,
- that items such as cost of living adjustments that may not be legally required, but are substantively automatic, be included in the liability projection,
- that the rate for discounting the total pension liability be a high-quality tax exempt municipal bond index rate for payments projected beyond the point where the plan net position is depleted.
- that items that are deferred and amortized be amortized over the remaining service lives of the individuals concerned; therefore, for inactive employees such as retirees and for changes applied retroactively, the change would be recognized immediately.
- that a schedule be included as RSI presenting ten years of data showing the changes in the net pension liability.
- that employers participating in a cost sharing plan include their proportionate share of the total net unfunded liability for all participating employers as a liability on their statements.

Local Government Auditing and Accounting

March 2013 Newsletter

Office of the Utah State Auditor

auditor.utah.gov

We are moving to electronic newsletter distribution. Send any e-mail addresses associated with your entity that will receive the newsletter to

newsletter-auditor@utah.gov

Please include the name of the recipient and the name of your entity in the body of the e-mail. Thank you for help in this regard.

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